

Message Text

UNCLASSIFIED

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05

SS-15 STR-05 CEA-01 PA-02 PRS-01 ABF-01 FSE-00

OPR-02 PER-05 A-01 CU-06 /116 W

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P R 011628Z DEC 77

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 5520

INFO EC COLLECTIVE

UNCLAS COPENHAGEN 7126

USEEC ALSO FOR EMBASSY

E.O.: 11652: N/A

TAGS: EFIN, EC, DA

SUBJ: DANISH KRONER HIT THE BOTTOM OF THE SNAKE

1. THE FOREIGN EXCHANGE MARKET IN COPENHAGEN DECEMBER 1 WAS MARKED BY A DOWNWARD TREND IN THE DANISH KRONE. FOR THE FIRST TIME SINCE THE SNAKE REALIGNMENT LAST AUGUST, THE KRONE HIT THE BOTTOM. THE SPREAD IN THE SNAKE BETWEEN THE DEUTSCHMARK AT THE TOP AND THE KRONE AT THE BOTTOM WAS AT THE ALLOWED MAXIMUM OF 2.25 PERCENT. THE DANISH CENTRAL BANK HAS REPORTEDLY INTERVENED IN THE MARKET TO PROTECT THE KRONE POSITION.

2. BANK SOURCES IN COPENHAGEN DESCRIBED TRADE AS ERRATIC AND REPORTED THE KRONE AS UNDER SOME PRESSURE. WITH FOREIGN EXCHANGE HOLDINGS, HOWEVER, OF CLOSE TO TWO BILLION DOLLARS (COMPARED TO 600 MILLION A YEAR AGO) AND SEVERAL SWAP POSSIBILITIES, THE CENTRAL BANK IS IN A GOOD POSITION.

3. THE DEVALUATION OF FIVE PERCENT IN THE KRONE, WHICH WAS UNCLASSIFIED

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AIMED AT IN THE AUGUST SNAKE REALIGNMENT, RECENTLY BECAME EFFECTIVE FOR THE FIRST TIME. UNTIL NOVEMBER 2 THE KRONE WAS AT THE TOP OF THE SNAKE WITH THE D-MARK STEADILY APPROACHING. SINCE THAT DATE, HOWEVER, THE KRONE HAS GRADUALLY DECLINED, REACHING THE BOTTOM ON DECEMBER 1.

4. THE DE FACTO DEVALUATION OF THE KRONE WITH RESPECT TO ALL

MAJOR CURRENCIES SINCE AUGUST 29 RANGES BETWEEN 12.9 PERCENT
(AGAINST THE SWISS FRANC) AND 0.2 PERCENT (AGAINST THE NOR-
WEGIAN KRONER). DURING THIS PERIOD THE DANISH KRONE ROSE
ONLY AGAINST THE SWEDISH KRONE AND THE FINNISH MARK.
DEAN

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Message Attributes

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Disposition Approved on Date:
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